Derby College

Members' report and financial statements

For the year ended 31st July 2014

Members' report and financial statements

Contents

Members' report

The members present their report and the audited financial statements for the year ended 31st July 2014.

Operating and Financial Review

NATURE, OBJECTIVES AND STRATEGIES

The Derby College Group has high aspirations, reflected in our four key strategic ambitions. As well as involvement from our team members, these ambitions have been developed in response to the expectations of our learners and customers, together with wider external influences.

Our stated Strategic Ambitions are publicly available via the College's website (www.derby-college.ac.uk), and are summarised in our Mission Statement:

'Prosperity for all – shaping lives, society and the economy'

There are many challenges ahead but our passion and commitment to providing an exceptional learning journey will overcome these. This umbrella strategy has steered our specific Group strategies, curriculum and business plans which in turn will inform team members' objectives. We will measure our progress and impact through a range of success measures and key performance indicators, some of which are summarised against each ambition.

We are confident that we can support all our learners by equipping them with the right skills and attitudes to enable their future success and prosperity. In order to continue to do this, we will embrace our core values and invest in the professionalism of our team members and the infrastructure of our environment.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the activities of Derby College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011. Derby College was incorporated on 1st January 2002.

Public benefit

Derby College is an exempt charity under the Part 3 of the Charities Act 2011 and from 1st September 2013, is regulated by the Secretary of State for Business, Innovation and Skills as Principal Regulator for all FE Corporations in England. The members of the Governing Body, who are trustees of the charity, are disclosed on page 17 and 18.

In setting and reviewing the College's strategic objectives, the Governing Body has had due regard for the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education. The guidance sets out the requirement that all organisations wishing to be recognised as charities must demonstrate, explicitly, that their aims are for the public benefit.

In delivering its mission, the College provides the following identifiable public benefits through the advancement of education:

- Good-quality teaching and strong student support systems
- Strong links with local employers, industry and commerce providing "job ready" students.
- Widening participation and tackling social exclusion

The delivery of public benefit is also covered further within this Members Report and this Operating and Financial Review. Derby College's Public Value Statement is published on the College's internet site (http://www.derby-college.ac.uk/index.php/mission.html).

Operating and Financial Review *(continued)*

Vision

'Inclusive and innovative learning communities: predicting and serving the needs of our learners, the economy and society.'

Mission

'Preparing individuals for the next phase of their lives: the world of work, entrepreneurship, advanced learning, career progression and to contribute as positive citizens.'

Values, Beliefs and Behaviours

Our stated Values, Beliefs and Behaviours set out what we believe in strongly and value highly and they make a firm statement about how we operate. They are the beliefs, attitudes and behaviours that guide how we work with our learners, team members and other stakeholders.

- BE PASSIONATE about what we do for our learners and our employers
- HAVE A POSITIVE OUTLOOK and achieve so much more
- WORK AS ONE TEAM
- BE AMBITIOUS to excel in everything we do
- ACT WITH INTEGRITY in all that we do
- TAKE AN IMAGINATIVE APPROACH to all that we do

Strategic Objectives

During the year ended 31st July 2014 Derby College has developed its Strategic Ambitions for the period 2014 - 2017. These have evolved from the previous Strategic Plan (2011 – 2014) and take into account the changing needs of our learners and customers, as well as the evolving economic, political and demographic environment. The College's stated Strategic Objectives are:

1. Transforming our learners' experience

- *Guiding people onto a learning pathway that leads to a positive destination and future prosperity*
    - Provide appropriate and impartial information, advice and careers guidance that inspires and motivates, stimulating aspirations and awareness of the world of work
    - Provide holistic and personalised learning programmes tailored to each individual's starting point and career aspirations
- *Continually improve teaching, learning, assessment and support to raise our standards*
    - Develop teachers and assessors as dual professionals, whose expert subject knowledge and experience is matched with pedagogical expertise which results in consistently excellent teaching, learning and assessment
    - Ensure all learners are challenged, engaged and making progress every day through regular targeted assessment, effective questioning and formative feedback
    - Ensure high expectations of learners - setting and achieving aspirational targets

Operating and Financial Review *(continued)*

Strategic Objectives (continued)

- *Providing safe and inspiring environments that encourage progress and aspirational outcomes*
    - Embed technology everywhere to foster an independent learning culture
    - Create zones where stakeholders can access specialist skills, knowledge and equipment
    - Ensure all our learners, but especially children and vulnerable adults, are safe
- *Developing advocates for educational change*
    - Develop a range of internal advocates, student and staff representatives
    - Develop and sustain external ambassadors and extensive alumni
- *Championing excellence, every day, to achieve success for all*
    - Engage positively with our people, maximising performance and talent management, enabling individuals and teams to embrace organisational cultural change
    - Ensure attainment levels for all learner groups are achieved equally and any performance gaps are eliminated

2. Revolutionising our offer

- *Providing fit-for-purpose learning opportunities shaped by local priorities and employers*
    - Use research including labour market intelligence (LMI) to inform our strategies and curriculum design
    - Strategically engage employers and business effectively in all stages of curriculum design, delivery and evaluation
- *Creating pathways and environments that prepare people for work, entrepreneurship and higher stud*y
    - Embed employability skills, attitudes and behaviours into every young person's learning experience
    - Provide business start-up support for budding entrepreneurs
    - Ensure all learners are equipped with the study skills required to advance to the next level of study
- *Meeting the technological needs of learners with particular focus on our millennial generation*
    - Research and implement innovations in technology, including industry standard systems, equipment and software to support curriculum e-learning development
    - Explore ways in which our offer and resources can embrace the digital skills of our millennials to transform learning
- *Embedding enterprise, entrepreneurial thinking and Maths and English into all learning journeys*
    - Embed enterprise and business acumen within the curriculum
    - Improve our learners' Maths and English skills
    - Inspire and empower our teams to acquire and embed entrepreneurial and design thinking, encouraging creativity through facilitation of experiments and actionable ideas
- *Rooting citizenship, well-being and enrichment across our offer to positively impact on individuals and the communities we serve*
    - Offer citizenship opportunities to all our young people
    - Develop the character, resilience and well-being of all our young people

3. Contributing to economic growth and social prosperity

- *Forecasting the future workforce requirements to support local priorities*
    - Develop a research and business analysis function
    - Implement a curriculum design and development function
    - Business planning and curriculum design to be informed by research and external analysis

- *Producing a talent pool equipped with the right skills, qualities and attitudes to meet the needs of employers: consuming and creating jobs*
    - Stimulate increased employer adoption of Apprenticeships (including Higher Apprenticeships)

Operating and Financial Review *(continued)*

Strategic Objectives (continued)

  - Drive up employer demand for part time HE progression routes
  - Expand 'Career Learning Ladder' and 'Employment World' to ensure our adult workforce is trained and prepared to enter or progress in the world of work
- *Working with local communities to create sustainable job opportunities*
  - Enhance our profile and influence in the locality and with strategic partnerships, sector and employer representative bodies
  - React speedily to the urgent needs of business
  - Encourage social enterprise projects and initiatives through community and business groups
- *Championing social prosperity through education and community action*
  - Engage with schools, parents and carers to raise awareness of all the educational choices and pathways available
  - Support community strategies for social responsibility by providing opportunities and resources from which local people can benefit
  - Stimulate engagement in community learning and personal skill development
- *Creating a line of sight to work and independent living, for all*
  - Ensure our young people and adult learners leave their learning journey with the employability skills and attributes valued by employers
  - Provide a range of pathways for young people with learning difficulties and disabilities (LDD) that are accessible, flexible and meet their needs, enabling opportunities to move towards independent living and work

4. Investing in our learning environment by improving our financial health

- Ensuring our core government agency funded learner numbers and financial targets are met
  - Ensure effective monitoring and financial management of targets, income and expenditure
  - Ensure our operating model is flexible, efficient and effective to support financial stability
- Increasing our commercial and international income
  - Introduction of our leadership, management and organisational development offer (Roundhouse Thinking)
  - Develop our international offer and global partnerships
  - Develop our learning for leisure portfolio to stimulate and meet market demand
- Developing alternative income streams
  - Increase our conference and events profitability
  - Pursue bid and tender opportunities to generate additional income sources
  - Explore the provision of professional and shared services
- Delivering high quality business systems that increase efficiencies and effectiveness across the organisation
  - Develop a business improvement function to ensure systems and processes respond to business need whilst supporting customer success
- Maximising the sustainable use of our resources for positive financial and environmental benefits
  - Maintain a continuous fit-for-purpose, high quality physical and virtual environment
  - Maximise the potential of our people by continuing to invest in training and development for all our teams

Operating and Financial Review *(continued)*

Strategic Objectives (continued)

Financial objectives

The College's financial objectives and prescribed performance indicators are:

1 **Financial Health**: *To achieve satisfactory financial performance in 2013/14 and improve to good by 2014/15 as defined by the SFA financial health scoring. To be monitored and measured via the monthly management accounts.*

2 **Financial Operating Position**: *To achieve an underlying operating surplus in 2013/14 and sustain improvements to this for 2014/15 onwards, as calculated by the SFA methodology. To be monitored and measured via the monthly management accounts.*

3 **Historical Cost Position**: *The Statement of Historical Cost Surpluses and Deficits (as shown in the audited consolidated accounts) will not show a deficit for any two consecutive periods of twelve months ending on the last day of the financial year. To be monitored and measured via the year end audited financial statements.*

4 **Income generation**: Increase commercial income (non-Agency funding) to offset reductions in SFA/EFA funding. To be monitored and measured via the monthly management accounts.

All measures have been achieved for 2013/14:

- A satisfactory financial health for the year, as defined by the SFA financial health scoring;
- Achievement of an underlying operating surplus of £690k
- Achieving a Historic Cost surplus in 2013/14 to negate the deficit in 2012/13.
- Achieving an increase in non-Agency income, including tuition fees and contracts; other income; but less release of deferred capital grants of £2.5m.

The College's financial health category last assessed by the Skills Funding Agency is "Satisfactory".

Performance indicators

Success Measures

The College is committed to observing the importance of measures and indicators. The College has refined its key measures and indicators, having regard to the FE Choices website, the requirements of fund providers (including the requirement to complete an annual Finance Record for the Skills Funding Agency), recommendations by sector organisations and regulators (including Ofsted, BIS, AoC), and in the light of its restated strategic objectives.

Whilst success measures have been defined in principle, a number remain to be implemented as the precise methodology for collection of data and calculation of KPI's is currently under development, and benchmark comparators (National Averages) also have yet to be established. In these instances the table below has been marked '-'.

Operating and Financial Review *(continued)*

	11/12	12/13	13/14	National Average
	%	%	%	%
1. Transforming our learners' experience				
• Positive Learner Voice outcomes	93	92	97	-
• Learner retention - 16-18	87	88	89	90
• Learner retention - 19+	85	86	88	88
• Learners achieve their potential - 16-18	88	91	91	93
• Learners achieve their potential – 19+	90	94	94	93
• Learners' attendance is high	82	83	84	85
2. Revolutionising our offer				
• Access to a range of on-line learning	-	-	-	-
• Learners acquire good Maths skills (achievement rate)	99	98	94	97
• Learners acquire good English skills (achievement rate)	98	94	88	78
• Curriculum programmes meet priorities: Local, LEP and National	-	-	-	-
• Work experience for all learners whose intended destination is into work	-	-	-	-
• Holistic development of individuals	-	-	-	-
• Positive destinations and progression	-	-	-	-
3. Contributing to economic growth and social prosperity				
• Engagement with employers to support economic growth	-	-	-	-
• Participation with groups to support social prosperity	-	-	-	-
• Positive Employer Voice outcomes	-	-	97	-
• Positive destinations into employment and self-employment	94	94	94	-
4. Investing in our learning environment by improving our financial health				
• Achievement of Government funding agency targets	-	-	-	-
• Growth in alternative income sources (commercial income as a % of total operating income)	8	9	12	-
• CPD that enables quality improvements and supports professionalism of team members	-	-	-	-

Financial position

Financial results (Consolidated)

The inclusion of FRS17 (pension) costs have a significant impact on the presentation of the accounts. The table below shows the financial outturn position on an historic cost basis excluding FRS17 charges and other exceptional items.

	2014 £'000	2013 £'000
Deficit on continuing operations after depreciation and before exceptional items and tax	**(1,086)**	**(1,070)**
Adjust for non-operational items:		
Restructuring Costs	**297**	**1,516**
Merger Funding	**-**	**(1,516)**
Pension Reserve Costs	**1,438**	**855**
Underlying operating surplus/(deficit)	**649**	**(215)**

The College results in 2013/14 show sustained improvements on previous years with a positive movement between years to the operating position (exclusive of restructuring and pension reserve costs) of £864k (£1,970k 12/13) to a position of £649k surplus (£215k deficit 12/13).

The disposal of the main Field road campus at Ilkeston had a positive impact on the overall position posting a surplus profit on sale of £4,209k.

The College has accumulated general reserves of £24,403k (excluding pension reserve), a long term loan of £6,961k, an overdraft of £5,825k and cash balances of £73k, the latter balances reflecting the ongoing capital programme and the cash flow impacts of property sales and buildings.

Tangible fixed asset additions during the year amounted to £8,550k (£13,936k 12/13), the majority relating to capital works associated with the on-going redevelopment of the College's estate, including the sites at Broomfield; the new college at Ilkeston and the initial stages of a further extension to the Joseph Wright centre.

The College has significant reliance on the external funding bodies for its principal funding source, largely from recurrent grants. In 2013/14, 84% (2012/13: 88%) of the College's total operational income was derived from funding bodies.

The College has the following subsidiary companies and during the year the following sums were gifted to the College.

Name	Nature of business	Gift Aid Payment
Mackworth Business Services Ltd	Facilities Hire	£91,456
Corporate College Ltd	Dormant	N/A

Ongoing capital programme

The College is committed to the continual improvement of its estate and other resources and all capital investments are subject to scrutiny to ensure that best value for money is obtained as well as maximising learner benefits.

Financial position *(continued)*

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

The College has a separate treasury management policy in place to support and regulate these operations.

Short term borrowing for temporary revenue purposes is authorised by the Accounting Officer. Such arrangements are restricted by limits in the College's Financial Memorandum agreed with the Skills Funding Agency. All other borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Cash flows

The College's net operating cash inflow amounted to £1.563m in the year *(2012/13 inflow £2.123m).* After fixed asset additions, grant receipts and financing, the net debt position decreased from £16.514m to £12.713m particularly reflecting the continuation of the property strategy.

Liquidity

During the year the College reduced its borrowing via overdraft funding following receipts from the sale of the Field Road campus. The overdraft continues to be used to support the capital programme. This approach was deemed suitable given the anticipated timing of capital receipts from the sale of assets in comparison to the cost and timing of asset additions. This position is reviewed regularly.

The size of the College's total borrowing and its approach to interest rates has been calculated to ensure a reasonable cushion between the total cost of servicing debt and operating cash flow. A bridging loan and overdraft facilities were in place during the year in order to meet working capital needs associated with the property strategy developments.

Current and Future Developments and Performance

Student Numbers

The College supported approximately 26,000 learners in 2013/14 encompassing under 16's and funded and unfunded 16+ to undertake a variety of academic and vocational courses including apprenticeships and higher education. This is an 8% reduction on 12/13 representing the reduction of the SFA adult skills budget and related sub-contracting activity.

Student Achievements

Learner responsive provision

Learner retention and success rates continued to improve in 2013/14 seeing an increase of two and three percentage points respectively. Overall retention increased from 89% in 2012/13 to 91% in 2013/14 with overall success rates increasing from 82% to 85%.

Apprenticeships

Apprenticeships are one of the cornerstones of the current Government's education policy and the College is committed to fulfilling their potential. Overall apprenticeship framework success rates improved by six percentage points in 2013/14 compared to 2013/13, from 65% to 71%.

Operating and Financial Review *(continued)*

Current and Future Developments and Performance *(continued)*

Curriculum Developments

The College's main campus' are situated within the vibrant city of Derby with further sites around the County.

The award winning Roundhouse development situated adjacent to Derby railway station is the College's flagship campus providing first class accommodation for learners.

The Joseph Wright Centre situated in the city is a dedicated academic sixth form and arts centre. The College has commenced work on an extension to the building which will consolidate arts provision at the College due to open to students in January 2015.

The year also saw the College open its new £10m vocational training campus at Ilkeston on the site of the former Magistrates Court in the town centre. This state of the art building of approximately 4,000m^2 has been designed in accordance with BREEAM standards and local area sustainable properties.

The Broomfield hall campus is situated on the edge of the city providing facilities for land based and leisure activities, having benefitted from extensive development over the last few years.

The College plays a crucial role in the life of the City and region, its reach and influence extends nationally and internationally. Working closely with local business and stakeholders the College continues to innovate to provide education and learning fit for purpose for current economies.

The College's broad curriculum covers 14 vocational areas with a portfolio covering everything from GCSE's to foundation degrees, vocational courses to adult education, and apprenticeships to bespoke solutions for business. A significant proportion of the College's learners are based in industry across the country supported by the College's professional staff, who work closely in partnership with businesses.

The college work effectively with employers and stakeholders to ensure the educational offer meets the needs of both industry and individuals at all levels. Curriculum design is informed by employers and stakeholders in line with Local Enterprise Partnership (LEP) and regional priorities ensuring the future employment of our young people. Bespoke full time programmes are designed and developed to meet current and future demands aligning the supply and demand of skills and educations to local regional and national priorities. There has been a growth in the number of 16/18 apprenticeships with the effective implementation of recruitment enabling employers to have a cost effective means to recruit and train their future workforce.

The College has continued with the successful European Leonardo Projects in both the Mobility and Partnership tranches; fulfilling bids secured for the period 2013-15. Current ongoing projects cover learner work experience in their chosen fields of study in other European countries; and partnership projects allowing for the network exchange of knowledge and skills in the areas of car mechanics - green manufacturing and alternative fuels, fashion with traditional aspects and Lime Mortar heritage Buildings.

There is a continued emphasis on English & Maths to ensure learners who do not already have GCSE grades A*-C in these subjects achieve this by the age of 19. Work placements with local employers have been embedded into full-time programmes. The strategy for adult provision has been to introduce a suite of part-time qualifications branded as "Career Learning Ladder" to engage with employed, or unemployed adults who aspire to progress within their existing career or re-training for a career change. A suite of non-accredited commercial courses have also been developed and introduced as "Learning for Leisure" to re-introduce relevant bite-sized learning to adults and the community.

We are proud to be one of 5 Colleges nationally to be involved in the Technical Baccalaureate pilot, working with City and Guilds on the Construction "Tech bacc" qualification. The College will be expanding this provision in 2015/16 offering a challenging and aspirational, vocational route to higher education or employment for learners.

Operating and Financial Review *(continued)*

Current and Future Developments and Performance *(continued)*

Curriculum Developments (continued)

Higher Education courses continue to grow in partnership with Derby University, course developments are planned to grow substantially in 15/16 providing full and part time options for learners aiming to gain the higher level skills required by regional employers. Adults are now able to access 24+ loans for Access to Higher Education courses and have their fees waived on successful progression to higher education. Many adults are taking advantage with Access courses increasing particularly in the healthcare professions.

We also remain committed to the wider needs of our students, particularly of the 16-19 cohorts and in 2013/14 we introduced "Personal Coaches" to our teams; this initiative, aligned to curriculum areas, provides motivational and pastoral support to learners while also tracking progress against the learners Individual Learning Plans. In addition, inclusion support has been strengthened, targeting interventions to support learners' individual needs.

Derby College is a lead provider for ESF Skills Support for the Unemployed (SSU) covering D2N2 LEP area. Working with a range of partners from both the public and private sector we are providing largely employer led delivery with sector based work academies leading to an overall job outcome rate of 25%. The success of the project has enabled two successful growth cases to be obtained and an overall contract currently standing at £3.8m. The strength of the ESF SSU has also led to a successful tender as one of two lead providers over the whole of the East Midlands delivering targeted ESF Flexible Funding for the Unemployed at over £300k. Working with a partnership of Colleges across the region this contract consists of a number of plans which must be submitted and approved by the Skills Funding agency. The agreed provision addresses three themes incorporating emerging needs, working with particular localities and specific cohorts of priority need learners. In addition to the above projects the College are sub-contractors for the prime East Midlands providers for both the ESF Skills Support for the Workforce and the ESF Skills support for Maths and English.

Partnerships

Derby Manufacturing UTC
The College is in partnership with Derby University; Rolls Royce; Toyota Manufacturing (UK) Ltd and Derby City Council to introduce the Derby Manufacturing University Technical College focussing on the STEM priorities. The Derby Manufacturing UTC will provide innovative, dynamic, and empowering education and training for young people who have an interest and aptitude for engineering and technological based careers. With a focus on engineering and emerging technologies, our aim is to develop young people who are skilled, professional and enterprising - who can make a significant contribution to reinvigorating Engineering and Science in Derby, Derbyshire and the East Midlands. Initial groundwork is underway and the project remains on track.

Derby College Education Trust

Derby College incorporated Derby College Education Trust in May 2012 and through the Trust became the sponsor of Merrill academy in January 2013. In line with EFA guidance; the results of the Education Trust are not consolidated into these financial statements.

The proposed expansion of the Trust to incorporate a Digital Studio College in Derbyshire is no-longer being pursued due to insufficient demand in the area.

Non Curriculum Developments

EXCITE
The College continues to offer a range of creative part-time Saturday and holiday courses for children under 16, including games development, fashion, art and media.

National Citizen Service
NCS is a government funded programme for 16 & 17 year olds to enhance their employability skills and sense of community responsibility. Commencing in 2012, the College continued and expanded its work with young people during 2014 providing residential team building activities, skills and knowledge development followed by fundraising and social action. The College is currently negotiating to deliver under this programme in 2015.

Roundhouse Events
Roundhouse Events continues to develop, attracting high profile clients to our award winning facilities; We offer a wide and diverse range of events including Christmas parties which have been extended this year with 14,000 people enjoying the Cirque du Solei theme. The Derby Telegraph have launched their own business awards hosting them at the Roundhouse for the first time with over 700 city leaders in attendance. The DNLCC have also continued to hold their annual Business awards with us and are looking to extend the number of annual events at the Roundhouse due to the amalgamation of the Leicestershire Chamber of Commerce making Derby the desired central venue. It continues to be one of the most popular venues for traditional and Indian weddings with plans to re-open Broomfield in 2015 as a wedding venue to add to the already popular and unique facilities at the Roundhouse. Other events such as the Christmas market, antiques road show, beer festival and summer fair continue to grow year on year .A number of large high profile clients have revisited the Roundhouse for conferences parties and this year we hosted the Skills Festival .The Roundhouse also attracts a number of sector specific events particularly because of its rail and engineering heritage.

Employment and skills academies
In 2014 the college launched employment and skills academies for every faculty in the college to ensure that all students have an extended curriculum encompassing employer engagement activities such as specialist speakers, workplace visits, internships and work projects. Each academy has an employment and skills board made up of local and regional employers who advise and support the extra-curricular activities. These have been extremely successful with over 500 employers involved ensuring all students get the opportunity to synthesise their knowledge into practice.

Roundhouse Thinking
Roundhouse thinking was launched in year to offer bespoke management and compliance training to all types of organisations. The delivery associates are of a very high calibre offering executive management programmes strengthening the offer to employers and individuals both locally and nationally .

Payment Performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1st November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%. During the accounting period 1st August 2013 to 31st July 2014, the College paid 93% (92% 2012/13) of its invoices within 30 days, and 95% of invoices within 36 days. The College strictly adheres to 30 day payment terms with exceptions occurring due to invoice disputes. The College incurred no interest charges in respect of late payment for this period.

RESOURCES AND FUTURE DEVELOPMENT

During the year ended 31st July 2014 the College made significant progress towards fulfilling its stated property strategy. Agreement was reached for the sale of a second tranche of land at Prince Charles Avenue, Derby (formerly Mackworth College), with completion in early 2014-15 (Note 28). Land at Field Road, Ilkeston was sold in year for £10,614,000. The College is reviewing its strategy with respect to residual non-core assets, including the Mundy Street site at Heanor and the final tranche of land at Prince Charles Avenue.

Operating and Financial Review *(continued)*

RESOURCES AND FUTURE DEVELOPMENT (continued)

During the year the College completed major projects to expand the Broomfield site, as well as completing and commissioning the new Ilkeston campus.

Additionally, during the year, construction of a major extension to the Joseph Wright Centre (JWC) commenced, with a scheduled completion date of December 2014. This facility will enable teaching of arts to be consolidated to a single dedicated location, as well as enabling further efficiencies through rationalisation of delivery of other curriculum areas in Derby.

Financial

The College has £48.1m of net assets (after recognising £23m pension liability) and long term borrowings of £6.96m. Net current liabilities at the end of the year total £12.3m *(2013:£10.5m)*.

People

The College employs 937 staff (expressed as full-time equivalents), 78% of whom are teaching staff. The College carried out a targeted restructure in 2013/14 to realign staffing to current and future priorities. Redundancies where kept to a minimum and staff at risk were redeployed wherever possible.

Reputation

The College has a good reputation locally and nationally with strong ties to local employers. Maintaining a quality brand is essential for the College's success at attracting students and external relationships.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has a robust system of risk management and has well embedded systems of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

The Corporation undertakes a regular review of the risks to which the College is exposed. This identifies systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Corporation will also consider any risks which may arise as a result of a new area of work being undertaken by the College.

A risk register is maintained at the College Corporate level which is reviewed at least annually by the Audit Committee and more frequently where necessary. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system.

This is supported by risk management awareness throughout the College.

Outlined below is a description of the principal risk factors that may affect the College. Not all the factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

Operating and Financial Review *(continued)*

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

1. *Government funding*

The College continues to be dependent on government funding through the education sector funding bodies. In 2013/14 83% (2012/13, 88%) of the College's revenue was ultimately public funded and this level is expected to continue to fall due to increased use of loans and tuition fees.

The risk is mitigated in a number of ways:

- Developing courses to attract more customers willing to pay fees
- Funding is derived through a number of direct and indirect contractual arrangements
- By ensuring the College is rigorous in delivering high quality education and training
- By placing considerable focus and investment on maintaining and managing key relationships with the various funding bodies
- Ensuring the College is focused on those priority sectors which will continue to benefit from public funding
- Regular dialogue with funding bodies and Local Enterprise Partnerships (LEP's)
- Re-aligning College resources

2. *Learner Outcomes*

If learner outcomes do not reach acceptable standards this is likely to result in reduced applications and learner numbers (through reputational perception), in turn resulting in reduced income and consequent learner provision.

This risk is mitigated by the combination of factors, including; robust quality monitoring systems; regular monitoring by quality boards to address areas of weak provision; extensive student and staff support functions; mock Ofsted Inspections, and scrutiny by the Corporation of Teaching & Learning Report.

3. *Business Interruption*

The College is aware of the potential impact on its reputation and finances should any of its operations be compromised as a result of either the loss of key staff or facilities.

This risk is mitigated by the application of staff training and development as well as through organisational structure review and redesign, to avoid 'single points of failure' developing. Additionally the College maintains a disaster recovery strategy and plan, which is maintained and updated following regular communication with local emergency services.

4. *Health and Safety and Safeguarding*

Failure by the College effectively to manage Health and Safety (H&S) and Safeguarding risks could impact staff, students and visitors with cost and reputational consequences.

These risks are mitigated by a range of measures, including; clear H&S and Safeguarding Policies and Procedures; mandatory training in place for managers and staff; completion of risk assessments; close monitoring of H&S issues by Management and Governors; appropriately trained and qualified H&S and Safeguarding champions and standards of food hygiene consistently maintained at a high standard.

Operating and Financial Review *(continued)*

STAKEHOLDER RELATIONSHIPS

In line with other colleges and with universities, Derby College has many stakeholders. These include:

- Students;
- Education sector funding bodies;
- Staff;
- Local employers (with specific links);
- Local authorities;
- Government offices / Regional Development Agencies / Local Enterprise Partnerships (LEP's);
- The local community;
- Other FE institutions;
- Trade Unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College internet site, social media and by meetings.

Equality and Diversity Policy and Disability statement

At Derby College we celebrate and value diversity and we are committed to advancing equality of opportunity, regardless of age, disability, gender or gender identity, race, religion or belief, sexual orientation, or social background and family responsibilities. In particular the College strives to:

- Encourage the participation of learners of all abilities;
- Provide a safe and welcoming physical and learning environment;
- Develop its facilities and courses to improve access and widen participation;
- Offer support to meet individual learner and employee needs;
- Ensure recruitment policies are fair and transparent;
- Ensure the College is an environment that is free from discrimination, bullying or harassment.

The College ensures all team members are treated with respect and dignity and seeks to provide a working environment free from harassment, discrimination and victimisation.

The College abides by its current statutory duties and obligations under the Equality Act 2010 and proactively abides by its duty to:

- Eliminate discrimination, harassment and victimisation;
- Advance equality of opportunity; and
- Foster good relationships between different groups.

The College has twelve Equality Officers whose prime purpose is to support learners and team members; their aim is to raise awareness of equality matters and to promote a culture of inclusivity, offering advice and support on equality matters. We also have the following systems in place to monitor and evaluate the equality and diversity impact of the College policies and procedures:

- Learner survey and focus groups
- Equality analysis (impact assessments)
- Equality action plan
- Equality annual report, also provided on the College website;
- Equality and diversity minutes; and
- Trade unions.

Disclosure of Information to Auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 18th December 2014 and signed on its behalf by:

Janet Morgan
Chair

Professional advisers

Financial statements and regularity auditors:	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH
Internal auditors:	Grant Thornton UK LLP 2 Broadfield Court Sheffield South Yorkshire S8 0XF
Bankers:	Lloyds Bank plc. Butt Dyke House 33 Park Row Nottingham NG1 6GY
Solicitors:	Flint Bishop St Michaels Lane Derby DE1 3HQ
	Geldards Number One Pride Place Pride Park Derby DE24 8QR
	SGH Martineau 1 Colmore Square Birmingham B4 6AA
	Eversheds 1 Royal Standard Place Nottingham NG1 6FZ

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the College to obtain better understanding of its governance and legal structure.

The College endeavours to conduct its business:

i. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
ii. In full accordance with the guidance to colleges from the Association of Colleges in The English Colleges' Foundation Code of Governance ("the Foundation Code"); and
iii. Having due regard to the UK Corporate Governance Code ("the Code") insofar as it is applicable to the further education sector.

The College is committed to exhibiting best practice in all aspects of corporate governance and in particular the College Corporation has adopted and complied with the Foundation Code. We have not adopted and therefore do not apply the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the further education sector and best practice.

In the opinion of the Governors, the College complies with all the provisions of the Foundation Code, and it has complied throughout the year ended 31st July 2014. The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of The English Colleges' Foundation Code of Governance issued by the Association of Colleges in December 2011, which it formally adopted in December 2012.

The College is an exempt charity within the meaning of Part 3 of the Charities Act 2011. The Governors, who are also the Trustees for the purposes of the Charities Act 2011, conform that they have had due regard for the Charity Commission's guidance on public benefit and that the required statements appear elsewhere in these financial statements.

The Corporation

The members who served the Corporation during the year and up to the date of signature of this report were as follows:

Name	Date of Initial Appointment	Term of Office	Date of Resignation	Category of Governor	Committees Served
Janet Morgan	22nd Oct 2008	2 years		Governor	Chair: Corporation; Search & Governance
David Williams	1st August 2013	2 years		Governor	Vice-Chair
Kevin Slack	22nd Mar 2010	2 years		Governor	Chair: Audit
Graham Schuhmacher MBE	1st August 2013	2 years		Governor	
Sunny Chandhoke	21st Mar 2011	2 years	March 2014	Governor	Audit
Nick Freeman	31st Jan 2011	2 years		Governor	Subsidiary companies
Lin Hinson	22nd Mar 2010	2 years		Governor	Search & Governance Subsidiary companies

Jonathan McCluskey	22nd Mar 2010	2 years		Governor	Audit
Luke Harman	1st Jul 2011	1 year	March 2014	Student	
Philip Dover	1st August 2013	2 years		Governor	
Melanie Lanser	1st August 2013	1 year		Staff	
Peter Richardson	1st August 2013	2 years	November 2013	Governor	
Mandie Stravino	1st September 2012			Chief Executive/ Accounting Officer	Search & Governance Subsidiary companies
Rosslyn Green	10th March 2014	To 31st July 2015		Co-opted	Audit

Heather Simcox, Director of Corporate Affairs & Governance for Derby College, acts as Clerk to the Corporation.

Committee attendance rates.

A successful Corporation requires commitment from all members. The attendance target set by the Corporation target is 80% attendance by members at meetings. A summary of attendance is shown below:

	Corporation (7 meetings)	Audit (3 meetings)	Search (2 meetings)
Janet Morgan	100%	-	100%
David Williams	71%	-	50%
Kevin Slack	86%	100%	-
Graham Schuhmacher MBE	86%	-	-
Sunny Chandhoke	25%	100%	-
Nick Freeman	71%	-	-
Lin Hinson	86%	-	100%
Jonathan McCluskey	71%	100%	-
Luke Harman	100%	-	-
Philip Dover	86%	-	-
Melanie Lanser	71%	-	-
Peter Richardson	100%	-	-
Rosslyn Green	-	-	100%
Mandie Stravino	100%	-	100%
Overall	**81%**	**100%**	**90%**

It is the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

Statement of Corporate Governance and Internal Control *(continued)*

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety and environmental issues. The Corporation meets approximately seven times a year.

The Corporation conducts its business through a number of committees. Each committee has terms of reference which have been approved by the Corporation. These committees are Finance and Audit and Search & Governance. Full minutes of all meetings, except those deemed to be confidential by the Corporation, are available on the College website:

derby-college.ac.uk;

or from:

The Clerk to the Corporation, Derby College, The Roundhouse, Roundhouse Road, Pride Park, Derby DE24 8JE

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad-hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair of the Corporation and Accounting Officer are separate.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search & Governance Committee comprising of four members of the Corporation and the Chief Executive, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

Remuneration Committee

The Corporation does not operate a separate Remuneration Committee. All matters of remuneration for the Accounting Officer and senior post holders remain with the full Corporation.

Details of remuneration for the year ended 31st July 2014 are set out in note 6 to the financial statements.

Statement of Corporate Governance and Internal Control *(continued)*

Audit Committee

The Audit Committee comprises five members of the Corporation (who exclude the Accounting Officer and Chair). The Committee operates in accordance with written terms of reference approved by the Corporation and available on the College website (details above). Its purpose is to advise the Corporation on the adequacy and effectiveness of the College's system of internal control and its arrangements for risk management, control and governance processes.

The Audit Committee meets on a regular basis and provides a forum for reporting by the College's internal and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College's business.

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed recommendations and internal audit undertakes periodic follow up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work.

Internal Control

Scope of responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with the responsibilities assigned to her in the Financial Memorandum between the College and the funding bodies. She is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives, it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Derby College for the year ended 31st July 2014 and up to the date of approval of the annual report and financial statements.

Statement of Corporate Governance and Internal Control *(continued)*

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31st July 2014 and up to the date of approval of the financial statements. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, administration procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Corporation
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts
- Setting targets to measure financial and other performance
- Clearly defined capital investment control guidelines
- The adoption of formal project management disciplines, where appropriate

The College has an internal audit service, which operates in accordance with the requirements of the EFA and SFA's Joint Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plan are endorsed by the Corporation on the recommendation of the audit committee. As a minimum, the Head of Internal Audit (HIA) provides the Corporation with a report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the college's system of risk management, controls and governance processes.

Review of effectiveness

As Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. The Principal's review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors and the regularity auditors in their management letter and other reports.

The Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors;
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- comments made by the College's financial statements auditors,, the regularity auditors, the appointed funding auditors in their management letters and other reports.

The Accounting Officer has been advised on the implications of the results of her review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor, and a plan to address any weaknesses and ensure continuous improvement of the system is in place.

Statement of Corporate Governance and Internal Control *(continued)*

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The Corporation and Audit Committee review the corporate risk register at each meeting.

Based on the advice of the Audit Committee and the Accounting Officer, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets".

Governing Body's statement on the College's regularity, propriety and compliance with Funding body terms and conditions of funding.

The Corporation has considered its responsibility to notify the Skills Funding Agency of material irregularity, impropriety and non-compliance with Skills Funding Agency terms and conditions of funding, under the financial memorandum in place between the College and the Skills Funding Agency. As part of its consideration the Corporation has had due regard to the requirements of the financial memorandum.

We confirm, on behalf of the Corporation, that **to the best of its knowledge,** the Corporation believes it is able to identify any material irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum. We further confirm that any instances of material irregularity, impropriety or funding non-compliance discovered to date have been notified to the Skills Funding Agency.

Going Concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 18th December 2014 and signed on its behalf by:

Janet Morgan
Chair

Mandie Stravino
Accounting Officer

Statement of the responsibilities of the members of the Corporation

The members of the Corporation of the College are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum between the Skills Funding Agency/Education Funding Agency and the Corporation of the College, the Corporation, through its Accounting Officer, is required to prepare financial statements for each financial year in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education and with the Accounts Direction for 2013/14 financial statements issued jointly by the Skills Funding Agency and the Education Funding Agency, and which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare an Operating and Financial Review which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and to enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

The maintenance and integrity of Derby College's website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the Skills Funding Agency/Education Funding Agency are used only in accordance with the Financial Memorandum with the Skills Funding Agency/Education Funding Agency and any other conditions that may be prescribed from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds from the Skills Funding Agency/Education Funding Agency are not put at risk.

Approved by order of the members of the Corporation on 18th December 2014 and signed on its behalf by:

Janet Morgan
Chair

Independent auditors' report to the Corporation of Derby College

We have audited the Group and College financial statements ("the financial statements") of Derby College for the year ended 31st July 2014 set out on pages 28 to 53. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Corporation, as a body, in accordance with Article 22 of the College's Articles of Government. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Corporation of Derby College and Auditor

As explained more fully in the Statement of the Corporation's responsibilities set out on page 23, the Corporation is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporation and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Operating and Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Groups' and of the College's affairs as at 31st July 2014 and of the Group's and College's surplus of income over expenditure for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.

Opinion on other matters prescribed by the Joint Audit Code of Practice (Part 1 and 2) issued jointly by the Skills Funding Agency and the Education Funding Agency

In our opinion:

- proper accounting records have been kept; and
- the financial statements are in agreement with the accounting records.

Michael Rowley
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

KPMG

Independent Auditor's Report on Regularity to the Corporation of Derby College and the Chief Executive of Skills Funding

This report is produced in accordance with the terms of our engagement letter dated 22nd May 2008 for the purpose of reporting on the College's Statement of Regularity, Propriety and Compliance in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are regular as defined by and in accordance with the Financial Memorandum with the Chief Executive of Skills Funding, and in accordance with the authorities that govern them.

The regularity assurance framework that has been applied is set out in the Joint Audit Code of Practice and the Regularity Audit Framework published by the Skills Funding Agency and the Education Funding Agency.

Our review has been undertaken so that we might state to the Corporation of Derby College and the Chief Executive of Skills Funding those matters we are required to state to them in a report and for no other purpose. This report is made solely to the Corporation of Derby College and the Chief Executive of Skills Funding in accordance with the terms of our engagement letter. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation of Derby College and the Chief Executive of Skills Funding, for our review work, for this report, or for the opinion we have formed.

Responsibilities of the Corporation of Derby College

The Corporation of Derby College is responsible under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that financial transactions are in accordance with the framework of authorities which govern them and that transactions underlying the financial statements for the year ended 31 July 2014 are regular.

The Corporation of Derby College is also responsible, under the requirements of the Accounts Direction for 2013/14 Financial Statements published by the Skills Funding Agency and the Education Funding Agency, for the preparation of the Statement on Regularity, Propriety and Compliance. The Statement confirms that, to the best of its knowledge, the Corporation believes it is able to identify any material, irregular or improper use of funds by the College, or material non-compliance with the Skills Funding Agency's terms and conditions of funding under the College's financial memorandum. It further confirms that any instances of material irregularity, impropriety or funding non-compliance discovered in the year to 31 July 2014 have been notified to the Skills Funding Agency.

Auditor's responsibilities

Our responsibility is to express a reasonable assurance opinion that the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements for the year ended 31 July 2014 are in all material respects regular, based on the procedures that we have performed and the evidence we have obtained. Our reasonable assurance engagement was undertaken in accordance with the Joint Audit Code of Practice, the Regularity Audit Framework and our engagement letter dated 22nd May 2008. The International Standards on Auditing (UK and Ireland) and Joint Audit Code of Practice require that we plan and perform this engagement to obtain reasonable assurance in respect of the Assertion that the transactions underlying the financial statements are in all material respects regular.

Basis of opinion

We have performed procedures on a sample basis so as to obtain information and explanations which we consider necessary in order to provide us with sufficient appropriate evidence to express reasonable assurance that the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

Opinion

In our opinion the College's Statement on Regularity, Propriety and Compliance is fairly stated in respect of whether the transactions underlying the College's financial statements are in all material respects regular for the year ended 31 July 2014.

Michael Rowley
for and on behalf of KPMG LLP. Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Consolidated income and expenditure account

for the year ended 31 July 2014

	Note	**2014**	2013
		£'000	£'000
Income			
Funding Body Grants	*2*	**46,737**	50,579
Tuition fees and education contracts	*3*	**5,277**	3,470
Other income		**3,956**	3,254
Investment income	4	**3**	9
Total income		**55,973**	57,312
Expenditure			
Staff costs	*5,6*	**30,782**	31,485
Exceptional restructuring costs	*5*	**297**	1,516
Other operating expenses	7	**20,726**	21,222
Depreciation		**4,414**	3,346
Interest and other finance costs	*8*	**840**	813
Total expenditure		**57,059**	58,382
Deficit on continuing operations after depreciation of tangible fixed assets at valuation and before exceptional items and tax		**(1,086)**	(1,070)
Profit/(Loss) on disposal of assets		**4,209**	(1,099)
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		**3,123**	(2,169)
Taxation	*9*	-	-
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation, exceptional items and disposals of assets and tax	10	**3,123**	(2,169)

The income and expenditure account is in respect of continuing activities.

Consolidated statement of total recognised gains and losses

for the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation and tax		**3,123**	(2,169)
Actuarial gain/ (loss) in respect of pension scheme liabilities	*18,27*	**2,840**	(2,874)
Total recognised gain/(loss) relating to the year		**5,963**	(5,043)

Reconciliation	*Note*	**2014 £'000**	2013 £'000
Opening reserves		**(4,058)**	985
Prior years deferred capital grant amendment		**449**	-
Total recognised gain/ (loss) for the year		**5,963**	(5,043)
Closing reserves	*20,21*	**2,354**	(4,058)

Consolidated statement of historical cost surpluses and deficits

for the year ended 31 July 2014

	Note	2014 £'000	2013 £'000
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation and tax		**3,123**	(2,169)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	*20*	**38**	38
Release of revaluation reserve following disposal of inherited fixed assets		**106**	-
Historical cost surplus/(deficit) for the year		**3,267**	(2,131)

Consolidated balance sheet

as at 31 July 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	11	**96,088**	92,234
Investments	12	**-**	-
		96,088	92,234
Current assets			
Stocks	13	**71**	56
Debtors	14	**2,227**	2,577
Cash at bank and in hand		**73**	450
Fixed assets held for resale	11	**360**	7,099
		2,731	10,182
Creditors: Amounts falling due within one year	15	**(15,026)**	(20,686)
Net current liabilities		**(12,295)**	(10,504)
Total net assets		**83,793**	81,730
Creditors: Amounts falling due after more than one year	16	**(8,119)**	(9,113)
Provisions for liabilities and charges	18	**(4,880)**	(4,934)
Net assets excluding pension liability		**70,794**	67,683
Net pension liability	27	**(22,739)**	(24,191)
Net assets including pension liability		**48,055**	43,492
Deferred capital grants	19	**45,701**	47,550
Reserves			
Income and expenditure account excluding pension reserve	21	**24,403**	19,299
Pension reserve	27	**(22,739)**	(24,191)
Income and expenditure account including pension reserve	21	**1,664**	(4,892)
Revaluation reserve	20	**690**	834
		48,055	43,492

The financial statements on pages 28 to 53 were approved by the Corporation on 18th December 2014 and were signed on its behalf by:

Janet Morgan
Chair

Mandie Stravino
Accounting Officer

College balance sheet
as at 31 July 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	*11*	**96,018**	92,156
Investments	*12*	**14**	14
		96,032	92,170
Current assets			
Stocks	*13*	**67**	56
Debtors	*14*	**2,275**	2,584
Cash at bank and in hand		**6**	57
Fixed assets held for resale	*11*	**360**	7,099
		2,708	9,796
Creditors: Amounts falling due within one year	*15*	**(15,292)**	(20,587)
Net current liabilities		**(12,584)**	(10,791)
Total net assets		**83,448**	81,379
Creditors: Amounts falling due after more than one year	*16*	**(8,119)**	(9,113)
Provisions for liabilities and charges	*18*	**(4,880)**	(4,934)
Net assets excluding pension liability		**70,449**	67,332
Net pension liability	*27*	**(22,739)**	(24,191)
Net assets including pension liability		**47,710**	43,141
Deferred capital grants	*19*	**45,701**	47,550
Reserves			
Income and expenditure account excluding pension reserve	*21*	**24,058**	18,948
Pension reserve	*27*	**(22,739)**	(24,191)
Income and expenditure account including pension reserve	*21*	**1,319**	(5,243)
Revaluation reserve	*20*	**690**	834
		47,710	43,141

The financial statements on pages 28 to 53 were approved by the Corporation on 18th December 2014 and were signed on its behalf by:

Janet Morgan

Chair

Mandie Stravino

Accounting Officer

Consolidated cash flow statement
for the year ended 31 July 2014

	Note	**2014 £'000**	2013 £'000
Cash inflow from operating activities	*22*	**1,534**	2,123
Returns on investments and servicing of finance	*23*	**(64)**	(56)
Capital expenditure and financial investment	*24*	**2,331**	(9,965)
Cash outflow before use of liquid resources and financing		**3,801**	(7,898)
Financing	*25*	**(4,178)**	7,589
(Decrease)	*26*	**(377)**	(309)

Reconciliation of net cash flow to movement in net debt

	Note	**2014 £'000**	2013 £'000
(Decrease) in cash in the year	*26*	**(377)**	(309)
New loans raised		**-**	(7,891)
Repayment of loans		**4,178**	302
Movement in net debt	*26*	**3,801**	(7,898)
Net debt at 1 August	*26*	**(16,514)**	(8,616)
Net debt at 31 July	*26*	**(12,713)**	(16,514)

Notes to the Accounts

1. Accounting policies

Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2007 (the SORP), the Accounts Direction for 2013/14 financial statements and in accordance with applicable Accounting Standards.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable UK Accounting Standards.

Going concern

The activities of the College, together with the factors likely to affect its future development and performance, are set out in the Operating and Financial Review. The financial position of the College, its cashflow, liquidity and borrowings are described in the Financial Statements and accompanying Notes.

The College currently has £7m of loans outstanding with bankers on terms negotiated in 2008. In addition an overdraft of £5.8m was drawn down as at 31st July 2014, from an available facility of £7m. The terms of the existing loan agreement are for up to another 23 years. The College's forecasts and financial projections indicate that it will be able to operate within this existing facility and covenants for the foreseeable future.

Accordingly the College has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements.

Basis of consolidation

The consolidated financial statements of the group include the financial statements of the College and its subsidiary undertakings, Mackworth Business Services. Intra-groups sales and profits are eliminated fully on consolidation

In accordance with FRS2, the activities of the Student Union have not been consolidated because the College does not control those activities. All financial statements are prepared to 31st July 2014.

Derby College Education Trust was incorporated on 17th May 2012 as a multi-academy trust, currently operating with one academy: Merrill Academy. In line with EFA/SFA guidelines, their results are not consolidated in the College accounts.

Recognition of income

Funding body recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the Adult Skills Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year-end reconciliation process with the funding body following the year-end, and the results of any funding audits. 16-18 learner-responsive funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Notes *(continued)*

1. Accounting policies (continued)

Non-recurrent grants from the funding bodies or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the useful life of the assets concerned.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors.

Income from grants, contracts and other services rendered is included to the extent the conditions of the funding have been met or the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the income and expenditure account in the year in which it is earned.

Where the College receives and disburses funds in which it has no direct beneficial interest, such funds are excluded from the income and expenditure account on the grounds that the College does not have direct control over the future economic benefits derived from these funds. The College has applied this policy to certain funds received during the year from the Skills Funding Agency/Education Funding Agency (see note 33).

Post-retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings Related Pension Scheme (SERPS).

Contributions to the TPS are charged so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 27, the TPS is a multi-employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Enhanced Pensions

The actual cost of any enhanced ongoing pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the ongoing pension of a former member of staff is charged in full to the college's income and expenditure account in the year that the member of staff retires. In subsequent years a charge is made to provisions in the balance sheet using the enhanced pension spreadsheet provided by the funding bodies.

Notes *(continued)*

1. Accounting policies (continued)

Tangible fixed assets

Land and buildings

Land and buildings inherited from the Local Education Authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. The associated credit is included in the revaluation reserve. The difference between depreciation charged on the historic cost of assets and the actual charge for the year calculated on the revalued amount is released to the income and expenditure account reserve on an annual basis. Land and buildings acquired since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated on a straight line basis over their expected useful economic life to the College of between 25 and 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life of between 25 and 50 years.

Where buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the income and expenditure account over the expected useful life of the related asset on a basis consistent with the depreciation policy.

Finance and interest costs, which are directly attributable to the construction of land and buildings, are capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset(s) may not be recoverable.

On adoption of FRS15, the College followed the transitional provisions to retain the book value of land and buildings which were re-valued in 1993, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS11.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31st July. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the year it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Assets capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the assets life beyond that conferred by repairs and maintenance

Buildings owned by third parties

Where the College enjoys the use of an asset which it does not own and for which no rental or a nominal rental is paid, if practicable, a value is attributed to this benefit and capitalised, with a corresponding credit to deferred capital grants which are subsequently released to the income and expenditure account over the useful economic life of the asset at the same rate as the depreciation charge on the related asset(s).

Interest

Interest payable during the development period of major capital projects is capitalised under provisions laid down in FRS15.

Notes *(continued)*

1. Accounting policies (continued)

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost.

Equipment is depreciated on a straight line basis over its useful economic life as follows:

Motor vehicles	-	25% to 33% per year
General equipment	-	10% to 33% per year
Computer equipment	-	33% per year
IT network infrastructure	-	10% per year

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Leased assets

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright and are capitalised at their fair value at the inception of the lease and depreciated over the shorter of the lease term or the useful economic lives of equivalently owned assets. The capital element outstanding is shown as obligations under finance leases.

The finance charges are allocated over the period of the lease in proportion to the capital element outstanding. Where finance lease payments are funded in full from funding council capital equipment grants, the associated assets are designated as grant-funded assets.

Investments

Fixed asset investments are carried at historical cost less any provision for impairment in their value.

Current asset investments, which may include listed investments, are stated at the lower of their cost and net realisable value.

Stocks

Significant stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial year with all resulting exchange differences being taken to the income and expenditure account in the year in which they arise.

Notes *(continued)*

1. Accounting policies (continued)

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. Subsidiary companies are liable to corporation tax.

The College is partially exempt in respect of Value Added Tax so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks and building societies and government securities.

Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event. It is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Agency arrangements

The College acts as an agent in the collection and payment of discretionary learner support funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 33 except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant. The College employs two member(s) of staff dedicated to the administration of Learner Support Fund applications and payments.

Notes *(continued)*

2. Funding Body Grants

	2014		2013	
	£'000	**£'000**	£'000	£'000
EFA recurrent funding		**27,320**		28,413
SFA recurrent funding		**16,855**		18,711
HEFCE recurrent funding		**215**		275
EFA non-recurrent funding		**21**		235
SFA non-recurrent funding		**1,312**		2,106
Releases of deferred capital grants (note 19):				
SFA	**1006**		830	
HEFCE	**8**	**1,014**	9	839
Total		**46,737**		50,579

3. Tuition fees and education contracts

	2014	2013
	£'000	£'000
Tuition fees	**3,879**	2,700
Education contracts	**1,398**	770
Total	**5,277**	3,470

Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £88,754 *(2012/13 £78,474).*

4. Investment Income

	2014	2013
	£'000	£'000
Other interest receivable	**3**	9
	3	9

5. Staff costs

The average number of persons employed by the group (including senior post holders) during the year, expressed as full-time equivalents, was as follows:

	2014	2013
	Number	Number
Teaching staff	**729**	742
Non-teaching staff	**208**	222
	937	964

Notes *(continued)*

5. Staff costs (continued)

Staff costs for the above persons were as follows:

	2014 £'000	2013 £'000
Wages and salaries	**24,647**	26,032
Social security costs	**1,748**	1,906
Pension costs	**3,217**	3,062
Other pension costs	**925**	377
Payroll sub-total	**30,537**	31,375
Contracted out staffing services	**245**	110
	30,782	31,485
Exceptional restructuring costs	**297**	1,516
Total Staff costs	**31,079**	33,001

Other pension costs include £876,000 FRS17 adjustments (£299,000 in 2012/13)

Note: Pension costs and subsequent wages and salaries costs have been restated for 2013 to reflect LGPS deficit payment inclusion within pension costs.

The number of senior post-holders and other staff who received annual emoluments, excluding pension contributions but including benefits in kind, in the following ranges was:

	2014 Number of senior post-holders	2013 Number of senior post-holders	2014 Number of other staff	2013 Number of other staff
£60,001 to £70,000	**-**	-	**4**	4
£70,001 to £80,000	**-**	-	**5**	1
£80,001 to £90,000	**-**	-	**1**	-
£90,001 to £100,000	**-**	-	**-**	-
£100,001 to £110,000	**-**	-	**1**	2
£110,001 to £120,000	**-**	-	**-**	-
£120,001 to £200,000	**1**	1	**-**	-
£200,001 to £210,000	**-**	-	**-**	-
£210,001 to £220,000	**-**	-	**-**	-

6. Senior post-holders' emoluments

Senior post-holders are defined as the Accounting officer and holders of other senior posts whom the Corporation has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Corporation.

	2014 Number	2013 Number
The number of senior post-holders including the Accounting officer	**1**	2*

*****2013 includes the outgoing and incoming Principal. The outgoing Principal is only represented for one month and thus does not appear in the salary split for senior post-holders in note 5 above.

Notes *(continued)*

6. Senior post-holders' emoluments (continued)

Senior post-holders' emoluments are made up as follows:

	2014	2013
	£'000	£'000
Salaries	**160**	168
Benefits in kind	**1**	1
Pension contributions	**17**	17
Total emoluments	**178**	186

The Colleges' long standing Principal retired on 31st August 2012, and the new Chief Executive was confirmed in post from 1st September 2012.

	Current Accounting Officer		**Retiring Principal**	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Salaries	**160**	149	**-**	19
Benefits in kind	**1**	1	**-**	-
	161	150	**-**	19
Pension contributions	**17**	16	**-**	-
	178	166	**-**	19

For the current accounting officer, 2013 represents eleven months and 2014 a full year. The pension contributions in respect of the Accounting Officer and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and the Local Government Pension Scheme. Contributions are paid at the same rate as for other employees.

Compensation for loss of office paid to former senior post-holders:

	2014	2013
	£'000	£'000
Estimated value of other benefits, including provisions for pension benefits (ongoing enhanced pension payments provision)	**540**	537

The estimated value of other benefits has been calculated in accordance with Financial Reporting Standard 17.

The members of the Corporation other than the Accounting Officer and the staff members did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties

Notes *(continued)*

7. Other operating expenses

	2014 £'000	2013 £'000
Teaching costs	**6,113**	**5,579**
Partnerships	**5,382**	**7,808**
Non-teaching costs	**3,660**	**3,177**
Premises costs	**5,571**	**4,658**
	20,726	**21,222**
Other operating expenses include:		
Auditors remuneration:		
Financial statements audit - College	**30**	30
Financial statements audit – subsidiary companies	**3**	3
Internal audit	**32**	36
Other services from either external and internal audit	**2**	2
Hire of plant and machinery – operating leases	**283**	279
Hire of other assets – operating leases	**1,186**	1,244

8. Interest and other finance costs

	2014 £'000	2013 £'000
On bank loans and overdrafts:		
Repayable within five years, not by instalments	**4**	-
Repayable within five years, by instalments	**-**	-
Repayable wholly or partly in more than five years	**63**	65
	67	65
FRS17 Pension finance costs (note 27)	**562**	556
SSAP24 enhanced pension provision	**211**	192
Total	**840**	813

9. Taxation

The College's main activities are exempt from Corporation tax and no liability arose during the year *(2013: £nil)*.

10. Surplus/(Deficit) on continuing operations for the year

The surplus/(deficit) on continuing operations for the year is made up as follows:

	2014 £'000	2013 £'000
College's Surplus/(Deficit) for the year	**3,039**	(2,237)
Surplus generated by subsidiary undertakings and transferred to College under Deed of Covenant	**91**	8
(Loss)/Profit retained by subsidiary undertakings	**(7)**	60
Group surplus/(deficit)	**3,123**	(2,169)

Notes *(continued)*

11. Tangible fixed assets (Group)

	Land & Buildings Freehold	Long Leasehold	Equipment	Assets under Construction	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation					
At 1 August 2013	88,183	1,005	5,374	12,925	107,487
Work in progress	-	-	-	1,398	1,398
Transfers	12,681	-	244	(12,925)	-
Additions	5,709	42	1,401	-	7,152
Disposals	(895)	-	(551)	-	(1,446)
At 31 July 2014	**105,678**	**1,047**	**6,468**	**1,398**	**114,591**
Accumulated					
At 1 August 2013	10,910	414	3,929	-	15,253
Charge for year	3,104	134	1,176	-	4,414
Eliminated in respect of disposals	(615)	-	(549)	-	(1,164)
At 31 July 2014	**13,399**	**548**	**4,556**	**-**	**18,503**
Net book value at 31 Julv 2014	**92,279**	**499**	**1,912**	**1,398**	**96,088**
Net book value at 31 July 2013	77,273	591	1,445	12,925	92,234

Tangible fixed assets (College Only)

	Land & Buildings Freehold	Long Leasehold	Equipment	Assets under Construction	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost or valuation					
At 1 August 2013	88,183	1,005	5,234	12,925	107,347
Work in progress	-	-	-	1,398	1,398
Transfers	12,681	-	244	(12,925)	
Additions	5,709	42	1,376	-	7,127
Disposals	(895)	-	(551)	-	(1,446)
At 31 July 2014	**105,678**	**1,047**	**6,303**	**1,398**	**114,426**
Accumulated					
At 1 August 2013	10,910	414	3,867	-	15,191
Charge for year	3,104	134	1,143	-	4,381
Eliminated in respect of disposals	(615)	-	(549)	-	(1,164)
At 31 July 2014	**13,399**	**548**	**4,461**	**-**	**18,408**
Net book value at 31 July 2014	**92,279**	**499**	**1,842**	**1,398**	**96,018**
Net book value at 31 July 2013	77,273	591	1,367	12,925	92,156

Note: Opening balances have been restated to clearly show long leasehold assets.

Notes *(continued)*

11. Tangible fixed assets (continued)

The transitional rules set out in FRS15 *Tangible Fixed Assets* have been applied. Accordingly the book values at implementation have been retained.

Land and buildings of the three merged Colleges were independently valued for the purpose of the 1994 financial statements at depreciated replacement cost by Mr T Foster of Derbyshire County Council, (in respect of Wilmorton, South East Derbyshire and Mackworth Colleges), and by a firm of independent chartered surveyors, in respect of Broomfield College. The valuations were in accordance with the RICS Statement of Asset Valuation Practice and Guidance notes.

Other tangible fixed assets inherited from the local education authority at incorporation have been valued by the Corporation on a depreciated replacement cost basis with the assistance of independent professional advice.

If fixed assets had not been revalued they would have been included at the following historical cost amounts:

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil

Land with a gross book value of £360,000 is held for resale in 2013/2014 *(2013: £7,099,000)*. This relates to the remainder of the Prince Charles Avenue site of which the sale of Phase two was realised in October 2014 and Phase three sale is currently forecast for the latter part of 2014/15.

12. Investments

	2014		2013	
	Group £'000	**College £'000**	Group £'000	College £'000
Investments in subsidiary companies	**-**	**14**	-	14

The College's subsidiary undertakings, which are all incorporated in Great Britain and registered in England and Wales, are as follows:

Name	**Holding**	**Principal Activity**	**Date interest acquired**
Mackworth Business Services	100% ordinary £1	Facilities hire and events	1 April 1993
Corporate College Ltd (dormant)	100% ordinary £1	Provision of IT	14 November 2001

13. Stocks

	2014		2013	
	Group £'000	**College £'000**	Group £'000	College £'000
Farm stock	**67**	**67**	56	56
Bar Stock	**4**	**0**	0	0
	71	**67**	56	56

Notes *(continued)*

14. Debtors

	2014		2013	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Amounts falling due within one year:				
Trade debtors	**811**	**705**	697	644
Amounts owed by subsidiary	**-**	**154**	-	60
Amounts owed by funding bodies	**341**	**341**	307	307
Other debtors	**346**	**346**	210	210
Prepayments and accrued income	**729**	**729**	1,363	1,363
	2,227	**2,275**	2,577	2,584

15. Creditors: Amounts falling due within one year

	2014		2013	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Bank loans and overdrafts	**6,128**	**6,538**	10,003	10,003
Payments received on account	**1,346**	**1,300**	2,187	2,134
Trade creditors	**772**	**696**	696	675
Other creditors including taxation and social security	**936**	**936**	950	950
Amounts owed to subsidiary	**-**	**-**	-	-
Amounts owed to funding bodies	**922**	**922**	243	243
Accruals	**4,201**	**4,179**	5,886	5,861
Lennartz accounting	**721**	**721**	721	721
	15,026	**15,292**	20,686	20,587

16. Creditors: Amounts falling due after more than one year

	2014		2013	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Bank loans	**6,658**	**6,658**	6,961	6,961
Lennartz accounting	**1,461**	**1,461**	2,152	2,152
	8,119	**8,119**	9,113	9,113

17. Analysis of borrowings

Bank loans and overdrafts

	2014		2013	
	Group	**College**	Group	College
	£'000	**£'000**	£'000	£'000
Bank loans and overdrafts are				
In one year or less	**6,128**	**6,538**	10,003	10,003
Between one and two years	**303**	**303**	303	303
Between two and five years	**909**	**909**	909	909
In five years or more	**5,446**	**5,446**	5,749	5,749
	12,786	**13,196**	16,964	16,964

Notes *(continued)*

17. Analysis of borrowings (continued)

Bank loans totalling £6,961,000 at base rate plus a margin of 0.38% are on a fixed term facility with repayments commenced in 2012. The Bank Overdraft, secured on a three monthly review basis; totals £5,825,000 at base rate plus 2.5% per annum until March 2014 reduced to base rate plus 2.25% thereafter.

18. Provisions for liabilities and charges

Group and College

	Enhanced Pensions £'000
At 1 August 2013	**4,934**
Expenditure in the period	**(315)**
Transferred from income and expenditure account (interest)	**211**
Recognised in Statement of Recognised Gains and Losses	**50**
At 31 July 2014	**4,880**

The enhanced pension provision relates to the cost of staff who have already left the College's employ. This provision has been recalculated in accordance with the guidance issued by the funding bodies.
The principle assumptions for this calculation are:

	2014	2013
Price Inflation	**2.25%**	2.8%
Discount Rate	**4.06%**	4.6%

19. Deferred capital grants

Group and College

	Funding Bodies £'000	Other grants £'000	Total £'000
At 1 August 2013	27,025	20,525	47,550
Cash received	1,756	10	1,766
Released to income and expenditure account	(2,567)	(599)	(3,166)
Prior year adjustment re Land – against reserves	(449)	-	(449)
At 31 July 2014	**25,765**	**19,936**	**45,701**

In line with the SORP, grants have been released relating to land purchased with their benefit in 2006.

20. Revaluation reserve

	Group £'000	**College £'000**
At 1 August 2013	834	834
Transfer from revaluation reserve to income and expenditure account in respect		
Depreciation on revalued assets	(38)	(38)
Disposal of fixed assets	(106)	(106)
At 31 July 2014	**690**	**690**

Notes *(continued)*

21. Movement in general reserves

	Group £'000	**College £'000**
At 1 August 2013	(4,892)	(5,243)
Deferred capital grant prior year adjustment re land	449	449
Surplus retained for the year	3,123	3,039
Transfer from revaluation reserve	144	144
Actuarial gain in respect of pension scheme	2,840	2,840
At 31 July 2014	**1,664**	**1,229**

22. Reconciliation of consolidated operating surplus to net cash inflow from operating activities

	2014 £'000	2013 £'000
Surplus/(Deficit) on continuing operations after depreciation of assets at valuation	**3,123**	(2,169)
Depreciation (notes 1 and 11)	**4,414**	3,346
Deferred capital grants released to income (note 19)	**(1,613)**	(1,440)
(Profit)/Loss on disposal of fixed assets	**(4,209)**	1,099
Interest payable (note 8)	**67**	65
Interest receivable (note 4)	**(3)**	(9)
FRS 17 pension cost less contributions payable (notes 5 and 27)	**876**	299
FRS 17 pension finance costs (note 27)	**562**	556
Enhanced Pension Adjustment	**(50)**	(84)
Decrease/(increase) in stocks	**(15)**	2
Decrease/(increase) in debtors	**350**	3,268
(Decrease)/increase in creditors	**(1,914)**	(2,807)
(Decrease)/increase in provisions	**(54)**	(3)
Net cash inflow from operating activities	**1,534**	2,123

23. Returns on investments and servicing of finance

	2014 £'000	2013 £'000
Interest received	**3**	9
Interest paid	**(67)**	(65)
Net cash outflow from returns on investments and servicing of finance	**(64)**	(56)

24. Capital expenditure and financial investment

	2014 £'000	2013 £'000
Purchase of tangible fixed assets	**(9,112)**	(13,694)
Proceeds from sales of tangible fixed assets	**9,677**	460
Deferred capital grants received	**1,766**	3,269
Net cash inflow/(outflow) for capital expenditure and financial investment	**2,331**	(9,965)

Notes *(continued)*

25. Financing

	2014	2013
	£'000	£'000
Debt due beyond a year:		
New loans raised	**-**	7,891
Repayment of loans	**(4,178)**	(302)
Net cash (outflow)/inflow from financing	**(4,178)**	7,589

26. Analysis of changes in net funds

	At 1 August 2013	Cash flows	At 31 July 2014
	£'000	£'000	£'000
Cash at bank and in hand	450	(377)	73
Overdrafts	(9,700)	3,875	(5,825)
	(9,250)	3,498	(5,752)
Debts due within 1 year	(303)		(303)
Debts due after 1 year	(6,961)	303	(6,658)
Total	**(16,514)**	**3,801**	**(12,713)**

27. Pensions and similar obligations

The College's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Derbyshire County Council.

Total pension cost for the year	**2013/14**		2012/13	
	£'000	**£'000**	£'000	£'000
Teachers' Pension Scheme: contributions		**1,585**		1,457
Local Government Pension Scheme:				
Contributions paid	**1,632**		1,605	
FRS17 charge	**876**		299	
Charge to the Income and Expenditure Account		**2,508**		1,904
Enhanced pension charge to Income and Expenditure Account (staff costs)		**49**		78
Total Pension Cost for the year		**4,142**		3,439

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuation of the TPS was 31st March 2012 and of the LGPS 31st March 2013.

Note: Pension costs for 2013 have been restated, as per note 5, to accurately reflect LGPS deficit contributions, and restate a LGPS/TPA adjustment.

Notes *(continued)*

27. Pensions and similar obligations (continued)

Teachers' Pension Scheme

The Teachers' Pension Scheme ("TPS") is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Regulations 2010, and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition, teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and, from 1 January 2007, automatic too for teachers and lecturers in part time employment following appointment or a change in contract. Teachers and lecturers are able to opt out of the TPS.

TPS: The Teachers' Pension Budgeting and Valuation Account

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act 1972 and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pension Regulations 2010 require an annual account, The Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pension increases). From 1 April 2001, the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

TPS: Valuation of the Teachers' Pension Scheme

The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directive 2014. The valuation report was published by the Department for Education (the Department) on 9 June 2014. The key results of the valuation are:

- Employer contribution rates were set at 16.4% of pensionable pay;
- Total scheme liabilities for service to the effective date of 3191.5 billion, and notional asserts of £176.6 billion, giving a notional past service deficit of £14.9 billion;
- An employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate paid for the TPS will be implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location:

https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx

TPS: Scheme Changes

Following the Hutton report in March 2011 and the subsequent consultations with trade unions and other representative bodies on reform of the TPS, the Department published a Proposed Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.
The key provisions of the reformed scheme include: a pension based on career average earnings; an accrual rate of 1/57th; and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than their Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three and a half year period, for people who would fall up to three and a half years outside the 10 year protection.

Notes *(continued)*

27. Pensions and similar obligations (continued)

Teachers' Pension Scheme (continued)

Regulations giving effect to a reformed Teachers' Pension scheme came into force on 1 April 2014 and the reformed scheme will commence on 1 April 2015.

The pension costs paid to TPS in the year amounted to £1,588,103 (2013: £1,490,432)

TPS: FRS 17

Under the definitions set out in Financial Reporting Standards (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the College has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee funds administered by Derbyshire County Council. The total contribution made for the year ended 31st July 2014 was £2,300,000 of which employer contributions totalled £1,632,000 and employees' contributions totalled £668,000. The agreed contribution rates for future years are for employers: 12.2% April 15 to March 16 and 12.7% April 16 to March 17. Future contribution rates for employees range from 5.5% and 12.5% , depending on salary.

The following information is based upon a full actuarial valuation of the fund as at 31st March 2013 updated to 31st July 2014 by a qualified independent actuary.

Principal Actuarial Assumptions	**2014**	2013
Rate of increase in salaries	**3.5%**	**5.1%**
Rate of increase for pensions in payment	**2.7%**	**2.8%**
Discount rate for scheme liabilities	**4.0%**	**4.6%**
Inflation assumption (CPI)	**2.8%**	**2.8%**
Commutation of pensions to lump		

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2014 Years	At 31 July 2013 Years
Retiring today		
Males	**22.0**	22.1
Females	**24.2**	24.7
Retiring in 20 years		
Males	**24.1**	23.9
Females	**26.6**	26.7

Notes *(continued)*

27. Pensions and similar obligations (continued)

LGPS (continued)

The College's share of the assets and liabilities in the scheme and the expected rates of return were:

	2014		2013	
	Long term rate of return expected at 31 July 2014	Value at 31 July 2014	Long term rate of return expected at 31 July 2013	Value at 31 July 2013
	%	**£'000**	%	£'000
Equities	**6.7%**	**38,899**	6.5%	36,080
Property	**4.7%**	**2,819**	4.6%	2,577
Bonds	**3.6%**	**10,711**	3.6%	9,278
Cash/liquidity/other	**3.6%**	**3,946**	3.4%	3,608
Total market value of assets		**56,375**		51,543
Present value of scheme liabilities:				
- Funded		**(79,031)**		(75,661)
- Unfunded		**(83)**		(73)
Related deferred tax liability		**0**		0
Deficit in the scheme		**(22,739)**		(24,191)

LGPS: Analysis of the amount charged to the income and expenditure account

	2014	2013
	£'000	£'000
Employer service cost (net of employee contributions)	**2,508**	1,421
Past service cost	**-**	-
Total operating charge	**2,508**	1,421

LGPS: Analysis of pension finance income/costs

	2014	2013
	£'000	£'000
Expected return on pension scheme assets	**2,956**	2,338
Interest on pension scheme liabilities	**(3,518)**	(2,894)
Pension finance costs	**(562)**	(556)

LGPS: Amounts recognised in the statement of total recognised gains and losses (STRGL)

	2014	2013
	£'000	£'000
Actuarial gains/(losses) on pension scheme assets	**2,890**	(2,790)
Actuarial gains/(losses) on scheme liabilities	**-**	-
Actuarial gain/(loss) recognised in STRGL	**2,890**	(2,790)

Notes *(continued)*

27. Pensions and similar obligations (continued)

LGPS (continued)

LGPS: Movement in deficit during year

	2014 **£'000**	2013 £'000
Deficit in scheme at 1st August	**(24,191)**	(20,546)
Movement in year:		
Employer service cost (net of employee contributions)	**(2,508)**	(1,904)
Employer contributions	**1,632**	1,605
Past service gain/cost	**-**	-
Net interest/return on assets	**(562)**	(556)
Actuarial gain/(loss)	**2,890**	(2,790)
Deficit in scheme at 31st July	**(22,739)**	(24,191)

LGPS: Asset and Liability Reconciliation

Reconciliation of Liabilities	**2014** **£'000**	2013 £'000
Liabilities at start of period	**75,734**	63,871
Service Cost	**2,508**	1,904
Interest Cost	**3,518**	2,894
Employee contributions	**668**	635
Actuarial (gain)/loss	**(1,745)**	8,063
Benefits paid	**(1,574)**	(1,633)
Past service cost	**0**	0
Curtailments and settlements	**5**	0
Liabilities at end of period	**79,114**	75,734

Reconciliation of Assets	**2014** **£'000**	2013 £'000
Assets at start of period	**51,543**	43,325
Expected return on assets	**2,956**	2,338
Actuarial gain	**1,150**	5,273
Employer contributions	**1,632**	1,605
Employee contributions	**668**	635
Benefits paid	**(1,574)**	(1,633)
Assets at end of period	**56,375**	51,543

The estimated value of employer contributions for the year ended 31st July 2015 is £1,663,000.

LGPS: Deficit Contributions

The College entered into an agreement with the LGPS to make additional contributions over the next three years of £401,000 April 14-March 15; £414,000 April 15-March 16 and £428,000 April 16 to March 17 in addition to normal funding levels until the next full valuation at which point the situation will be reviewed.

Notes *(continued)*

27. Pensions and similar obligations (continued)

LGPS (continued)

LGPS: History of experience gains or losses

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Difference between the expected and actual return on assets:	1,150	5,273	(1,509)	1,510	2,482
Experience gains and (losses) on scheme liabilities:	584	23	-	2,989	-
Total amounts recognised in statement of total recognised gains and (losses):	2,890	(2,790)	(3,560)	(2,944)	(1,795)

28. Post balance sheet events

Derby College completed the sale of a further portion of the Prince Charles Avenue site on 28th October 2014 for £8,900,000.

29. Capital commitments

	2014		2013	
	Group £'000	**College £'000**	Group £'000	College £'000
Commitments contracted for at 31 July	**443**	**443**	4,317	4,317
Commitments authorised but not contracted for at 31 July	**1,689**	**1,689**	124	124

30. Financial commitments

At 31st July, the College had annual commitments under non-cancellable operating leases as follows:

	2014		2013	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Expiring within one year	**79**	**176**	79	193
Expiring between two and five years inclusive	**-**	**1,338**	-	1,330
Expiring after five years	**1,125**	**-**	1,125	-
	1,204	**1,514**	1,204	1,523

31. Contingent liability

The college had no contingent liabilities as at 31st July 2014.

32. Related Party Transactions

Due to the nature of the College's operations and the composition of the Corporation being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Corporation may have an interest. All transactions involving organisations in which a member of the Corporation may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. No relationships have been identified which should be disclosed under Financial Reporting Standard 8 'Related Party Transaction Disclosures'.

Notes *(continued)*

32. Related Party Transactions (continued)

Derby College incorporated Derby College Education Trust (Company Registration 08072758) in May 2012 and through the Trust became the sponsor of Merrill academy in Derby in January 2013. In line with EFA guidance; the results of the Education Trust are not consolidated into these financial statements. The College had the following transactions with Derby College Education Trust:

	£'000
Services provided to Merrill Academy 13/14	64
Merrill Academy Alternative Curriculum Provision inc Free School meals	82
Digital Studio School services	150
	296

The Chief Executive of Derby College is a member of the Derby Manufacturing UTC to which Derby College is a sponsor organisation. The UTC is currently within the pre-opening stage with spend of a project development grant and the first stage of the new build occurring in 2013/14. Derby College has provided the following to Derby Manufacturing UTC for which invoices have been raised:

	£'000
Staff secondment	71
Recharges for marketing; legal & subscriptions re project development grant	46
	117

In addition to the above, the College carried out transactions under normal business with Rolls-Royce plc and Geldards LLP which are companies related to members of the Corporation. Such business was carried out at arm's length and all transactions were subject to normal financial regulations.

33. Amounts disbursed as agents

	2014 **£'000**	2013 £'000
Funding body grants – hardship support	**1,354**	1,221
Funding body grants – childcare	**229**	329
Funding body grants – residential bursaries	**104**	106
Grants received	**1,687**	1,656
Disbursed to students	**(1,621)**	(1,564)
Administration costs	**(79)**	(83)
Balance unspent at 31 July, included in creditors	**13**	9

Funding body grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances the grants and related disbursements are therefore excluded from the income and expenditure account.